

■ DeCA Buying

■ Main Street vs. AAFES

Military Market.

MAGAZINE FOR THE MILITARY RESALE SYSTEM

ARMY TIMES PUBLISHING COMPANY

MARCH 1992

\$6.00

Maj. Gen. Albin Wheeler
AAFES Commander

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CONTENTS



In the world of lite and diet foods in the 1990s, Big *D* stands for *reformulation* ??? — 41

MARCH 1992

VOL. 43, NO. 3

News

□ AAFES will expand Dan Daniel distribution test to another European exchange. □ DeCA business computer system delayed. □ Local retailers protest AAFES sale of major appliances. □ Overseas coordinators chosen for Norfolk, Auburn NexCens. □ MMA support boosts registration for Resale Market '92. □ San Antonio commissaries pull together following Lackland fire. □ Police arrest three suspects in Andersen AFB murder, robbery. □ Suppliers blame missing shelf tags for low in-stock levels. □ DeCA rejects NEXCOM proposal for 21 new "location" stores. 8

News Features

Reports from ALA's Western Conference 14
The View from Subic Bay: Counting Down to Closedown 34

Cover Story

AAFES commander, Maj. Gen. Albin G. Wheeler, is the agency's "point man for the future." 36

Market Report — Diet Foods

"Reformulation" means "good" and "less"! 41

Departments

Military Market Index	4	People	45
Commissary Buyer of the Month	6	Index to Advertisers	46
Exchange Buyer of the Month	7	Calendar	46
Scuttlebutt	12	Classifieds	46
New Products	43	Comics	47
Marketing	44	The Last Word	48

COVER PHOTOGRAPH by RICH MASON, DESIGN by JEROLD COUNCIL.

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publisher.



MILITARY MARKET (USPS 911-580):

Published 12 times a year by the Army Times Pub-

lishing Co., Springfield, VA 22159-0210. Single

copies \$6, except January, July issues, \$15 each.

Subscriptions: 1 year, \$60 (outside U.S. \$75); 2

years, \$105 (outside U.S. \$135); 1 year, outside U.S.

via airmail, \$225. Second class postage paid at

Springfield, Va., and additional mailing offices.

POSTMASTER: Send address changes to Mil-

itary Market Magazine, Circulation Department,

Springfield, VA 22159-0215.

Military Market Index

COMMISSARIES		NOVEMBER				YEAR-TO-DATE			
		CY '90	CY '91	PERCENT CHANGE	AVERAGE SALES	CY '90	CY '91	PERCENT CHANGE	STORES
CENTRAL	CONUS	-	\$72,228	-	\$1,762	-	-	-	41
	OVERSEAS	-	394	-	394	-	-	-	1
	TOTAL	-	72,622	-	1,729	-	-	-	42
MIDWEST	CONUS	-	81,290	-	1,935	-	-	-	42
	OVERSEAS	-	0	-	0	-	-	-	0
	TOTAL	-	81,290	-	1,935	-	-	-	42
NORTHEAST	CONUS	-	65,319	-	1,452	-	-	-	45
	OVERSEAS	-	75	-	75	-	-	-	1
	TOTAL	-	65,394	-	1,422	-	-	-	46
SOUTHERN	CONUS	-	79,808	-	1,716	-	-	-	48
	OVERSEAS	-	0	-	1,197	-	-	-	5
	TOTAL	-	79,808	-	1,667	-	-	-	53
SOUTHWEST	CONUS	-	82,354	-	1,595	-	-	-	52
	OVERSEAS	-	5,985	-	-	-	-	-	0
	TOTAL	-	88,339	-	1,595	-	-	-	52
NORTHWEST/ PACIFIC	CONUS	-	21,792	-	1,676	-	-	-	13
	OVERSEAS	-	44,961	-	1,022	-	-	-	44
	TOTAL	-	66,753	-	1,171	-	-	-	57
EUROPE	CONUS	-	0	-	-	-	-	-	0
	OVERSEAS	-	60,902	-	521	-	-	-	117
	TOTAL	-	60,902	-	521	-	-	-	117
TOTAL COMMISSARIES	CONUS	\$428,069	\$405,293	-5.17	\$1,684	\$4,581,030	\$4,701,532	+2.63	241
	OVERSEAS	\$99,311	\$112,317	+13.10	\$669	\$1,057,742	\$1,096,943	+3.71	168
	TOTAL	\$527,380	\$518,240	-1.73	\$1,267	\$5,638,772	\$5,798,475	+2.83	409
GROCERY STORES U.S. 1		\$28.256bil.	\$28.911bil.	+2.13	-	\$309,295bil.	\$288.222bil.	+2.61	-

EXCHANGES		NOVEMBER				YEAR-TO-DATE			
		CY '90	CY '91	PERCENT CHANGE	CY '90	CY '91	PERCENT CHANGE		
AAFES	CONUS	\$359,187	\$388,771	+8.24	\$3,681,034	\$3,839,926	+4.32		
	OVERSEAS	275,248	254,817	-7.42	2,738,511	2,814,620	+2.78		
	TOTAL	634,435	643,588	+1.44	6,419,545	6,654,546	+3.66		
MAIL ORDER	CONUS	2,199	1,552	-29.42	13,102	16,416	+25.29		
	OVERSEAS	3,597	2,841	-21.02	26,662	27,768	+4.15		
	TOTAL	5,796	4,393	-24.21	39,764	44,184	+11.12		
NAVY	CONUS	117,360	118,066	+0.60	1,217,126	1,244,425	+2.24		
	OVERSEAS	51,692	51,780	+0.17	542,916	562,040	+3.52		
	TOTAL	169,052	169,846	+0.47	1,760,042	1,806,465	+2.64		
MARINES CORPS	CONUS	36,631	34,260	-7.18	347,341	362,904	+4.48		
	OVERSEAS	4,676	6,563	+40.36	40,853	59,276	+45.10		
	TOTAL	41,307	45,823	+10.93	388,194	422,180	+8.75		
COAST GUARD	CONUS	10,503	10,769	+2.53	106,644	107,701	+0.99		
	OVERSEAS	774	783	+1.16	8,042	8,231	+2.35		
	TOTAL	11,277	11,552	+2.44	114,686	115,932	+1.09		
ALL EXCHANGES	CONUS	\$525,880	\$558,418	6.19	\$5,365,247	\$5,571,372	+3.84		
	OVERSEAS	\$335,987	\$316,784	-5.72	\$3,356,984	\$3,471,935	+3.42		
	TOTAL	\$861,867	\$875,202	+1.55	\$8,722,231	\$9,043,307	+3.66		
DEPARTMENT STORES U.S. 1		\$17.533bil.	\$18.199bil.	+3.80	\$144.541bil.	\$149.992bil.	+3.77%		

Note: Missing data will be provided when available. Distribution of sales by CONUS and overseas is based on definition by respective region. Figures do not include sales tax. Figures in thousands unless otherwise indicated. 1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Marine Corps 1990 November overseas figure does not include Camp Butler, Okinawa. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by CONUS and overseas is based on definition by respective service and system.

"Reformulation" — The newest diet buzzword

By David Craig, Associate Editor

Reformulation — the process of recreating products in healthier forms — has taken hold in food manufacturing. As a result, commissary shoppers will likely keep seeing more choices of familiar food products — candy, soup, crackers and frozen foods, among other categories — made with less salt, lower fat and fewer calories.

Manufacturers, responding to the demands of a health conscious nation, are challenged with producing healthful foods — without sacrificing taste — for better nutrition.

This spring, for example, Americans in the western United States will get to try a new, lighter version of M&M/Mars' popular Milky Way bar. The product, dubbed Milky Way II, has 25 percent fewer total calories and 50 percent fewer calories from fat than the original version. Milky Way II offers consumers a light choice alongside the 69-year-old original Milky Way bar and other popular candies.

"I think that what you're seeing is that a greater portion of the population is looking to have categories, or products, they like in a reduced calorie format," Ray Gadd, military sales manager with H.J. Heinz special products, told MILITARY MARKET in a telephone interview.

Heinz, which makes the Weight Watchers line of frozen foods, pioneered the development of reduced calorie pizza and lower calorie Mexican foods, Gadd said. The company is now working on a reduced calorie breakfast product such as an English muffin breakfast sandwich.

Reformulation sweeps across product lines. Shoppers now have a choice of soups with less salt, cookies without palm oils, leaner beef products, and jams and jellies sweetened with natural fruit instead of added sugar.

Commissary patrons, knowledgeable about what constitutes a good diet, are reading the ingredient lists on product labels.

"I think we're finding that the commissary shopper now is becoming a much more educated shopper," Bill Pickett, a buyer for the Defense Commissary Agency's Southwest Region, told MILITARY MARKET in an interview.

"They're looking at the packages, looking at the ingredients. Our goal, I think, is to stay abreast of what they can get right outside the gate and keep up with the availability out there.

"If they can get it there, we want to be able to provide that quality of product in our store," Pickett said.

Lou Bailey, another buyer for Southwest commissaries, said he has seen a presentation for a new type of sausage made of chicken — a first-of-a-kind product.

"It was formulated in a process so that you could hardly tell the difference. It was a great product," said Bailey, who has worked 32 years in the meat business.

He noted that the poultry industry has developed several skinless chicken products which contain less fat. The fish business, he added, also "has gone way up" as health conscious Americans search for leaner diets.

The beef industry, noticing the changes in U.S. eating habits, has tried to teach customers more about the health

values of red meat. Bailey said the industry "realized that there was a need to educate consumers to the nutritional value of portion meat, and they have done that. Be it pork or beef — they have done that."

Cookie and cracker companies have also worked to reduce the cholesterol levels of their products. Bob Coster, director of special markets for Sunshine Biscuits, said his company played a leading role in reducing or eliminating cholesterol in cookies and crackers, and has replaced palm oil with more healthy ingredients.

"We are constantly working toward developing items that are more healthy," Coster said.

He said Sunshine has introduced items with no salt or low salt and in the past two years has added several new crackers in the whole wheat category.

Because the lifestyle of military personnel tends to require healthier living, Coster said people who shop in commissaries probably are more health conscious than their civilian counterparts. He noted the military services offer weight control programs, and service members are concerned with the fat content of their diets.

Besides noticing the ingredients of a product, shoppers are conscious of calorie intake as well, he told MILITARY MARKET.

"For instance, if you're going to have sweet goods, you're seeing much more of a swing from the traditional sweet cookie toward a healthier cookie. I think in the military you're probably on the leading edge of that — [among] the people who are active duty, an active-duty family, as well as retirees," Coster said.

Shoppers have grown accustomed to diet sodas, decaffeinated drinks, diet frozen dinners and other reformulated foods that offer the option of fewer calories per serving.

Sales among competitive frozen diet dinner lines have risen during the past year. For the 12 months ending in November 1991, commissary sales of frozen diet dinner and entree units rose 9.9 percent, Military Audits of Market Information has reported.

Unit sales of regular frozen entrees were up 6.9 percent over the same period, while regular frozen dinners rose only 0.2 percent, MAMI said.

During a given year, MAMI said, sales of frozen diet dinners and entrees tend to fluctuate more than those of frozen regular dinners and entrees. For instance, sales of diet dinners usually drop in November and December, when people do a lot of holiday meal preparation at home. Diet sales pick up in January and peak in February as people watch their eating after New Year's Day.

In contrast, sales of frozen regular dinners and entrees remain closer to the base line — or standard of the sales index — and don't rise or sink as steeply throughout the year, MAMI said.

TASTE COUNTS

When developing diet and health foods, researchers must keep in mind the all-important taste factor. If the

food doesn't taste right, people won't buy it.

Jim Finelli, national military business manager for M&M/Mars, said a lot of companies have wanted to reformulate their products for some time but had to wait until they had the capability to make the taste right. In reformulation, it's important that the new item taste similar to the traditional product.

Finelli said his company is not worried about Milky Way II taking business away from the original version of the Milky Way bar. He said research showed the new product is not expected to steal more than 10 percent of the business from the traditional Milky Way.

In promoting its new product, M&M said more than 100 million adults regularly eat lower calorie foods; half of all adults avoid candy because it's perceived as fattening. According to research, M&M said, the volume of older adults buying a candy bar would double if a lower calorie bar were available.

M&M will begin shipping Milky Way II in April. It should be available that month in Hawaii, Alaska, California, Nevada, Oregon, Washington and Idaho, the company said.

The Hackettstown, N.J., company developed the new product after five years of research, development and testing. M&M says it was able to create the lower calorie candy because of two ingredients: *caprenin*, a newly available fat with five calories per gram rather than the standard nine, and *polydextrose*, a complex carbohydrate used in food production for more than 10 years.

"Together, caprenin and polydextrose help produce a 25 percent reduction in total calories and a 50 percent reduction in calories from fat," the company said in a prepared statement.

The *Washington Post* gave Milky Way II a favorable review in the newspaper's Jan. 29 food section. The paper's food writers said a simple taste test among 27 newsroom volunteers found that the new candy is tasty and for the most part similar to the original Milky Way in texture, color and smell. Only 10 of the 27 tasters were able to identify both Milky Way and Milky Way II samples correctly.

Bailey, the buyer in DeCA's Southwest Region, said commissaries are seeing more diet and health food products enter the market.

"We've noticed a great deal of interest and increase in the diet-type products that have jumped on the bandwagon, where we have Healthy Choice line come out [with a product], whether it be luncheon meat and bacon or ground beef or whatever. Slim-Fast folks and Weight Watchers and those type folks have done a tremendous job in expanding the dietary-type products," Bailey said.

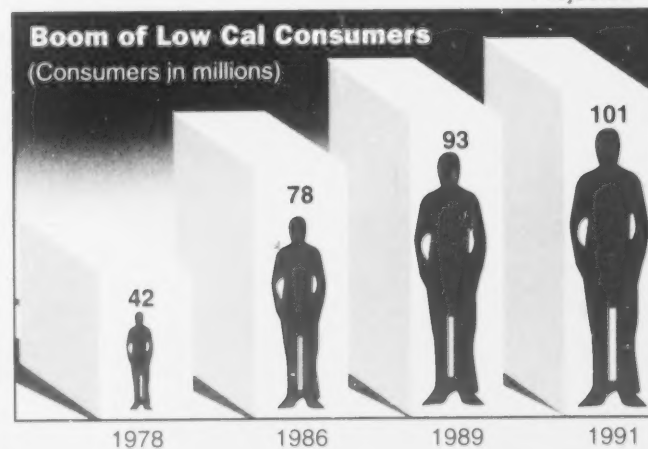
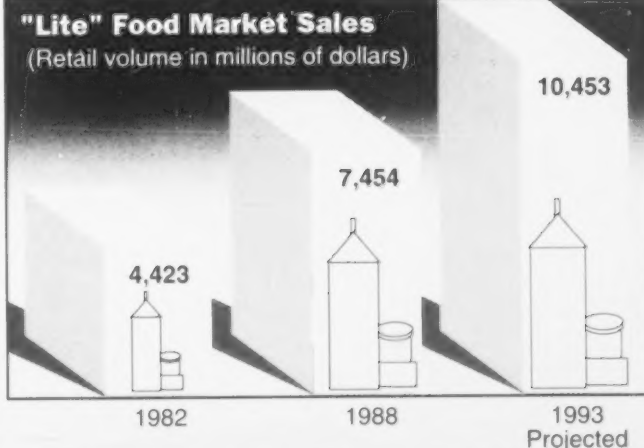
He said shoppers likely will see more name-brand competition among big companies vying for health-concerned customers.

The dynamics of the diet and health food business have challenged companies to be more creative in manufacturing, said Heinz' Ray Gadd.

For instance, Heinz has tried to enter new categories

The Charge of the Lite Brigade

Lite's real, and with a future that's richer than ever.



Sources: Calorie Control Council, Packaged Facts

Military Market/ Willis M. Pinkney

and expand its list of products, he said, citing such examples as a reduced calorie chicken sandwich and a reduced calorie chocolate eclair. The company now produces 12 entree items containing 200 or fewer calories, Gadd said.

Shoppers will probably see traditional health foods, such as organic and diet products, expanding beyond the diet food section to other parts of the stores.

DeCA Southwest's Pickett pointed out that commissaries do have health food sections "but a lot of that is being integrated into the rest of the store, into the shelves." For example, commissary workers are stocking low salt soups next to regular soups so shoppers don't have to make two stops for similar items.

Customers may wonder what's in store for the traditional kind of health foods that existed before the arrival of reformulated diet and health food products.

"I think that people don't need to go into those categories that they never really liked to get their nutrition, because the other categories are becoming more healthy," Gadd said.

M&M's Jim Finelli said he thinks traditional health foods will still be found in stores, but the categories won't be expanding.

"I think there will always be a niche market. ... I don't see it disappearing, but it's not growing," he said. **MM**